This listing of claims will replace all prior versions, and listings of claims in the application.

LISTING OF CLAIMS:

1.   (Currently Amended)   A computer-implemented method, executed in a first computer operated by an incentive administrator that is coupled to a second computer operated by a payer and a third computer operated by a healthcare provider, of providing a monetary incentive payable to the healthcare provider upon completion of a course of treatment for a patient with a condition during an episode of care, the method comprising the steps of:

creating an initial baseline value related to treatment of the condition;

receiving over the computer network from the payer a diagnosis of the patient performed by the healthcare provider and provided by the healthcare provider to the payer, along with an associated cost quantified by the initial baseline value;

creating an episode of care based upon the diagnosis of the healthcare provider and a decided course of treatment for the condition;

~~creating a baseline value related to the treatment of the condition;~~

~~associating the baseline value to the episode of care;~~

summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a total treatment cost; ~~and~~

adjusting the initial baseline value by factoring in cost offsets due to inflation and technological advances to establish a prospective cost for the decided course of treatment, and by factoring in one or more historically derived severity factors to derive an adjusted baseline value;

determining if the total treatment cost is less than the adjusted baseline value, thus resulting in a cost savings for the decided course of treatment;

causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive for purposes of improving utilization of healthcare services in the decided course of treatment relative to utilization of healthcare services quantified by the initial baseline value; and

determining a portion of the cost savings to be retained by the incentive administrator.

2.   (Currently Amended)   A computer-implemented method according to claim 1 wherein ~~the patient is associated with a health care organization and the step of determining determines another monetary incentive to provide to the health care organization from the cost savings if the total treatment cost is less than the baseline value~~ the decided course of treatment is selected from the group consisting of diagnostic tests, prescribed drugs, practitioner office visits, professional fees, equipment operating costs, and medical procedures; and wherein the healthcare services comprise at least one of diagnostic tests, drug prescriptions, subsequent hospital visits, and additional practitioner diagnosis.

3.   (Currently Amended)   A computer-implemented method according to claim ~~2~~ 1 wherein the ~~health care organization is associated with the incentive administrator, and the step of determining determines a further monetary incentive to provide to the incentive administrator if the total treatment cost is less than the baseline value~~ payer comprises an insurance company, and wherein the initial baseline value is derived from historical data relating to normal operating policies of the insurance company.

4-6.   (Cancelled)

7.   (Currently Amended)   A computer-implemented method according to claim 1 wherein ~~during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition and the step of associating the baseline value further includes the step of adjusting the baseline value to account for the additional condition~~ the severity factors include at least one of the age of the patient, pre-existing conditions of the patient, comorbidity effects, drug interactivity, presence of diagnosis codes, and defining procedures.

8.   (Currently Amended)   A computer-implemented method according to claim ~~7~~ 1 wherein ~~the additional condition creates another episode of care~~ during the treatment of the

patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care and the step of adjusting the initial baseline value further includes the step of factoring in the additional condition, the method and further including the steps of:

associating another baseline value related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition;

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost; and

determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the another baseline value.

9.   (Currently Amended) A computer-implemented method according to claim 1 wherein the process of adjusting the initial baseline value by factoring in one or more historically derived severity factors comprises applying one or more business rules quantifying how the severity factors affect treatment costs for the condition. during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care and further including the steps of:

associating another baseline value related to the treatment of the additional condition;

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost; and

determining another monetary incentive to provide if the another total treatment cost is less than the another baseline value.

10-15. (Canceled)

16.   (Currently Amended) A computer-implemented method according to claim 1 3 where the step of creating the initial baseline value establishes the initial baseline value using a plurality of data relating to a plurality of previous episodes of care for the same condition.

17.   (Currently Amended) A computer-implemented method according to claim 16 wherein prior to the step of creating the <u>initial</u> baseline is the step of filtering to remove outlier episodes of care for the same condition to thereby establish the plurality of data relating to a plurality of previous episodes of care for the same condition.

18 – 30. (Cancelled)

31 - 54. (Withdrawn)

55.   (Currently Amended) An apparatus for determining an amount of a monetary incentive, as determined by an incentive administrator and payable to a physician responsible for treatment decisions of a patient with a condition during an episode of care comprising:

    a first computer system operated by the incentive administrator, including:

        <u>means for creating an initial baseline value related to the treatment of the condition;</u>

        means for receiving from a second computer system operated by a payer communicably coupled to the physician, data including the patient identity and the condition of the patient as diagnosed by the physician<u>, along with an associated cost quantified by the initial baseline value</u>;

        means for ~~associating~~ <u>creating</u> an episode of care based upon the diagnosis and a decided course of treatment;

        ~~means for creating a baseline value related to the treatment of the condition;~~

        ~~means for associating the baseline value to the episode of care;~~

        means for summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a total treatment of cost;

        <u>means for adjusting the initial baseline value by factoring in cost offsets due to inflation and technological advances to establish a prospective cost for the decided course of treatment, and by factoring in one or more historically derived severity factors to derive an adjusted baseline value;</u>

        means for determining if the total treatment cost is less than the <u>adjusted</u> baseline value, thus resulting in a cost savings <u>for the decided course of treatment</u>; ~~and~~

means for determining a first percentage of the cost savings to be paid to the physician as a monetary incentive <u>for purposes of improving utilization of healthcare services in the decided course of treatment relative to utilization of healthcare services quantified by the initial baseline value,</u> and a second percentage of the cost savings to be retained by the incentive administrator.

56 – 58. (Cancelled)